QUFA PENSION NEWS
Queen's University Faculty Association Pension News

University Pension Plan Governance

Two key entities will govern and manage the University Pension Plan (UPP): the sponsor board and the trustee board

Pension plans must be governed and administered well. In a single-employer plan like the Queen's Pension Plan (QPP), the employer performs these functions independently. Employee unions may negotiate certain elements of the plan, such as contribution rates, but employees have no say over other kinds of decisions, such as what to do with surpluses when they occur.

The University Pension Plan (UPP) is "jointly sponsored," which means that employees and employers have equal say over key decisions about the plan. It is also a "multi-employer" plan, which means that employer and employee groups span university campuses. Currently, three universities are involved: Queen's, Guelph and Toronto. However, it is hoped that more will join in future.

There are two key structures that will govern and manage the UPP:

- **Sponsor Board:** This entity decides on key issues, such as how to manage deficits and surpluses by adjusting contribution rates or benefits. This body also appoints the trustee board.
- **Trustee Board:** This entity is accountable to the sponsor board and is responsible for managing the plan: for hiring investors, actuaries, legal counsel, and benefit administrators.

There are two documents that will be of interest to you if you'd like to know the details of these structures: the Labour Sponsor Board Agreement and the Milestones Agreement (pp. 10-11). These can both be found on the pension information page of the QUFA Web site.[1]

Sponsor Board

This board will consist of twelve members, six selected by the unions participating in forming the UPP and six by the three university administrations who are participating in the plan. The labour-side participants do not control how the administrations will select their delegates to the board, but we have heard that even if more universities join the plan, Queen's intends to keep its seat permanently.

On the labour side, the details have been worked out (see the Labour Sponsor Board Agreement), but in brief, three of the six seats will be controlled by faculty associations, and three will be controlled by other unions. Non-unionized employees will not have representation at this level of governance, though there is a commitment to hold regular labour-side consultations with groups not represented on the sponsor board.

At the outset, the three faculty seats will be held by designates from the faculty associations of Toronto, Guelph, and Queen's (QUFA). Toronto will hold its seat permanently, while Queen's and Guelph have agreed to cycle off the board after four years if more universities join the plan and other faculty associations wish to have representation on the sponsor board.

The sponsor board has ultimate authority over governance and plan design features, such as benefits and contributions. Each of the labour and employer side of the board will be able to cast one vote on any decision. That means, for any changes to core elements of the plan (see above), both employer and labour sides must agree.

Trustee Board

This entity is responsible for managing the plan. They hire and oversee the experts who will invest plan assets, monitor performance, and ensure timely and accurate delivery of benefits.

Initially, there will be fourteen trustees as follows:

- six appointed by the labour sponsors,
- six appointed by the employer sponsors,
- one appointed by non-unionized Employees who shall not have a tie-making or tie-breaking vote, and
- one independent chair of the board appointed by the joint sponsors.

The plan is to have a voting independent chair for the first seven years of operation so that the board cannot be deadlocked. During this period, the sponsor board will determine a tie-breaking mechanism so that, after seven years, a chair and vice-chair of the board can be drawn from among the thirteen trustees.

The trustee board will be established by 1 January 2020 so that it can begin to build the infrastructure for the pension plan, which is scheduled to begin conducting business on 1 July 2021.

Conclusion

The key takeaways about governance are that employees have a say in how their pension is managed at the highest level and that significant aspects of the plan cannot be changed without our consent. This type of joint governance results in a more stable pension regime that isn't vulnerable to individual employers choosing to take benefit holidays when returns are high, only to leave the plan in deficit when they fall, or altering the plan in more profound ways. This is a better pension future for QUFA Members.

If you have any questions or concerns about this information, please contact QUFA.

Note

[1]https://www.qufa.ca/member-services/pension-information/ (under "Background Documents")

QUFA can be reached at qufa@queensu.ca.

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How Did We Get Here?
Background to Bargaining 2018-2019

By Elizabeth Hanson
Co-Chief Negotiator, QUFA Bargaining Term

In December 2018, QUFA bargained a renewed collective agreement (CA) that QUFA executive and council are recommending to Members for ratification. The ratification vote for most QUFA Members will also be a vote on conversion of the Queen's Pension Plan (QPP) to the new jointly sponsored University Pension Plan (UPP). (QUFA Members who are not QPP members will be asked to vote on ratification alone.) This round of bargaining was both compressed and undertaken earlier than is normal because it was tied to the pension conversion process. This column explains how this situation came about and QUFA's reasons for this unusual approach to bargaining.

Since 2015, QUFA, Queen's University, the administrations and faculty associations of the University of Toronto and University of Guelph, and the United Steelworkers union (USW) have been engaged in designing a multi-employer, jointly sponsored pension plan (JSPP). The aim of this project is to provide a pension plan for university-sector employees that provides good pensions to employees without encumbering the operating budgets of universities with pension costs in excess of the contributions needed to fund the plan on an actuarially sound basis.

Readers who were at Queen's in 2011 will recall that in that bargaining round, when we came within hours of striking, the university sought and won increased pension contribution rates and other adjustments to address deficits in the QPP. Despite these adjustments, the QPP remains in deficit. As of 2017, there was a $121-million going-concern deficit and a $300-million solvency deficit. "Going concern" refers to the ongoing operation of a plan where the employer remains in business, and new employees make contributions while the pension plan supports retired members. "Solvency" refers to the liabilities of plan were the employer to fold so that there were no new employees making contributions.

In 2012, the Ontario government imposed special solvency payments on the university sector, it is generally thought, for the purpose of driving the single-employer pension plans of the university sector into JSPPs. JSPPs, as multi-employer plans, have presumptive greater stability and therefore are not required to make solvency payments. The imposition of these payments is rightly characterized as "political," insofar as the likelihood of Ontario's public universities' folding is remote. Nevertheless, the government was pursuing a policy objective that was arguably more legitimate than simple cost-cutting, which was to force a restructuring that would limit the exposure of university operating budgets to pension deficits resulting from extreme market events such as the crash of 2008.

The 2012 imposition of solvency payments, which were to begin in 2015 although they were then dangled like the sword of Damocles for a few more years, powerfully concentrated the minds of university administrations in some unfortunate ways. Most notably, the administrations of several universities, including Queen's, began expressing interest in merging their single-employer pension plans with the JSPP for the college system, the Colleges of Applied Arts and Technology (CAAT) plan, which in QUFA's view (and that of other faculty associations) offered poor benefits for excessive contribution rates. This unattractive prospect in turn concentrated the minds at the Ontario Confederation of University Faculty Associations (OCUFA) to consider the possibility of building a new, sector-wide JSPP that would be designed for the career paths and income levels of university faculty. In 2014, the Ministry of Training, Colleges and Universities gave the nod to OCUFA, the Council of Ontario Universities (COU)—which represents university administrations—and a number of public-sector unions including the USW, to begin exploration of the development of a sector-wide JSPP. The number of participants with different interests to be reconciled proved unwieldy, so in 2017 several universities withdrew in order to simplify the building process, with the prospect of joining once the plan was built.

The unions—the three faculty associations and USW—have been as committed to this project as the